



August 25, 2010

OAKS HOTELS & RESORTS RELEASES 2010 FULL YEAR RESULTS

Results Summary

	June 2010 \$'000	June 2009 \$'000
OPERATIONAL REVENUE	126,380	121,954
TOTAL EXPENSES	(97,053)	(93,823)
EBITDA FROM CORE OPERATIONS	29,327	28,131

OAKS DELIVERS EBITDA FROM CORE OPERATIONS OF \$29.3 million

Leading accommodation management group Oaks Hotels & Resorts (Oaks) has demonstrated continued recovery in its core portfolio, posting EBITDA of \$29.3 million from Core Operations for the year ended June 30, 2010.

This result reflects growth of \$1.2m or 4.3% over the previous financial year and is slightly ahead of the company's announcement in June 2010 that EBITDA would be approximately \$28 million.

Oaks, which specialises in the Management Letting Rights (MLR) sector of the Australian accommodation industry, reflected the strong underlying momentum in the business by recording a 3.6% increase in operational revenue to \$126.4 million despite the sale of four properties in the portfolio at the conclusion of the 2009 financial year.

Oaks Hotels & Resorts Chief Executive Officer Brett Pointon noted "Notwithstanding the challenges in Dubai, overall our performance has been strong. After allowing for the EBITDA contribution of \$2.6m from the four properties sold in June 2009 this represents growth in core operational earnings from the portfolio of \$3.8m or 14.8%.

Mr Pointon noted "The strength in the underlying portfolio was reflected in the continued growth in occupancy and room rates in the key CBD locations throughout the second half.

"This has been further enhanced by the recommencement of organic growth in room inventory from the existing pool of properties.



	Six Months Ended		
	June 2010	December 2009	June 2009
Core Operational EBITDA	\$15.135m	\$14.192m	\$11.090m
CBD* – Occupancy (%)	84.08%	81.57%	83.13%
CBD* – Room Rate (\$)	\$157.43	\$155.05	\$149.15
Regional* - Occupancy (%)	69.35%	73.03%	71.36%
Regional* - Room Rate (\$)	\$145.31	\$134.48	\$140.78

* Excludes developing properties.

Mr Pointon said, “We have seen the Brisbane market deliver strong occupancy and room rates right throughout the second half. The Sydney and Adelaide markets have also maintained the momentum of the first half.

“The Melbourne market has slowed through the final quarter of the financial year, with the over 1,500 new rooms added by competitors to the market applying pressure to room rates and occupancy.

“Regional markets and the New Zealand properties have experienced a weaker second half with the general slow down in tourism as the effects of the government stimulus flowed through into lower levels of tourist related travel. Importantly we have been able to maintain our rates despite this decrease in occupancy.

Mr Pointon noted that “Most importantly, we continue to report above industry average occupancy rates and have actively worked to manage the return across our portfolio.”

Operational highlights for the period under review were:

- The continued growth in on-line channels with a steady increase in direct booking via the Oaks Hotels & Resorts website, and through the expanded network of Global Distribution Systems for travel agents;
- A steady increase in organic inventory growth, with the sales of the Boathouse and Hobson St, Auckland being offset by inventory growth in the CBD portfolio in Brisbane; and
- The continued rollout of the internalised housekeeping function across the balance of the Australian properties.



Outlook for 2011

Mr Pointon said “Based on current trading trends with regard to occupancy rates and room yields, expectations for financial year 2011 are for an uplift in core operational earnings to within the range of \$30m to \$32m prior to any additional property acquisitions.

“We have resumed a stronger rate of inventory growth and our results for July and August are currently tracking ahead of our internal budgets.

Detailed Performance Review

	June 2010 \$'000	June 2009 \$'000
OPERATIONAL REVENUE	126,380	121,954
TOTAL EXPENSES	(97,053)	(93,823)
EBITDA FROM CORE OPERATIONS	29,327	28,131
GAIN ON SALE OF MLR's	(586)	5,040
EBITDA	28,741	33,171
IMPAIRMENT	(10,913)	-
DEPRECIATION AND AMORTISATION	(9,685)	(8,820)
EBIT	8,143	24,351
INTEREST AND FINANCE COSTS	(7,579)	(10,317)
PROFIT BEFORE TAX	564	14,034
INCOME TAX EXPENSE	(4,108)	(4,281)
NPAT	(3,544)	9,753

Operational revenue increased \$4.4m to \$126.4 million despite the sale of four properties in the portfolio at the conclusion of the 2009 financial year.



Employee benefits expenses were in-line with the prior period. Other operating expenses were impacted by additional operating lease rentals of \$2.6m due to the full year impact of leases commenced in the prior period and CPI increases across the leased portfolio. The increase in legal costs incurred predominantly relate to the dispute in Dubai and the settlement of a range of legal matters.

Refurbishment costs increased by \$2.3m over the prior year as a result of the extensive refurbishments undertaken at three properties - Embassy, Margaret St and Lexicon. These refurbishments generated additional revenue of \$3.0m during the period through sales of furniture packs.

Depreciation charges have increased by \$0.6m to \$5.2m as a result of the continued growth in furniture packages supporting the growth in inventory. Amortisation expense is largely in line with the prior year.

As indicated in the company's announcement in June 2010, while negotiations are still continuing in Dubai, a non cash impairment charge related to the carrying value of assets in Dubai was expected in the range of \$8m to \$11m. The final impairment charge of \$10.9m reflects the writedown of all assets related to Dubai to \$Nil, including the MLR of \$4.2m, furniture and leasehold improvements of \$3.1m and other assets of \$3.6m, due to expectations of difficult operational conditions and lease commitments above current market over the remainder of the lease term. This will result in a saving of depreciation and amortisation expense in future periods of approximately \$2.4m per annum.

Interest and finance charges have decreased reflecting the benefit of the mark to market gain on interest rate swaps of \$1.5m compared to a loss of \$2.0m in the prior period.

During the year borrowings were reduced by \$8.8m and plans are in place to further reduce debt by \$15m by 31 October 2010. Oaks continues to work toward meeting the key covenants set out under the extension to its' banking facilities as announced on 29 July 2010.

The net loss after tax for the 2010 year of \$3.544m reflected the significant impact of the non-cash impairment charge related to Dubai. Adjusting for this charge, net profit after tax would have been \$7.369m.



Dividends

After consideration of the future cash flow requirements, and in recognition of the impact of the non-cash impairment charge related to Dubai, the Directors have not declared a final dividend.

In line with the recent announcement relating to the extension of banking facilities, Oaks expects future dividends to represent a maximum of 60% of Net Profit after Tax.

ENDS

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